

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 346 - HB 1026

March 12, 2015

SUMMARY OF BILL: Enacts the Community Resurgence Job Tax Credit Act of 2015 by authorizing a job tax credit against franchise and excise (F&E) tax liability for a qualified business in the amount of \$2,500 for each qualifying job created, provided that at least 10 of such jobs are created. Prohibits the credit taken on any F&E tax return from exceeding 50 percent of the total F&E tax liability, and authorizes any unused credit to be carried forward for up to 15 years. Prohibits the aggregate amount of credits authorized under this Act from exceeding \$12,500,000 in any one tax year. Defines a “qualified business” to mean a new or existing business located in a high-poverty area according to the most recent decennial determination at the time a business plan is filed with the Commissioner of the Department of Revenue. Defines a “qualifying job” as: a full-time job with wages equal to, or greater than, the state’s average occupational wage; a newly created job in this state; and a job created within a three-year period from the effective date of the business plan.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$50,000/FY15-16
Exceeds \$100,000/FY16-17 and Subsequent Years

Forgone State Revenue – Exceeds \$50,000/FY15-16
Exceeds \$100,000/FY16-17 and Subsequent Years

Assumptions:

- The number of existing companies that will qualify for the proposed F&E job tax credits that are currently in the process of, or planning on, creating at least 10 qualified jobs in high-poverty areas is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered a decrease in revenue.
- The number of new companies that will locate in, or existing companies that will relocate to, a high-poverty area and qualify for the proposed F&E job tax credits by creating at least 10 qualified jobs as a direct result of this bill, which would not be created under current law, is unknown. Any impact to state revenue from granting F&E job tax credits to such companies will be considered forgone revenue.
- Based on information provided by the Department of Revenue, it is estimated that at least 40 new qualifying jobs would be created under current law, and 40 new qualifying jobs will be created as a direct result of this bill that would not be created in the absence of the proposed job tax credits.

- As a result, the recurring decrease in state revenue is estimated to exceed \$100,000 (\$2,500 x 40), and the recurring forgone state revenue is estimated to exceed \$100,000.
- The first-year impact (FY15-16) is estimated to be 50 percent of the first full-year impact. This half-year impact is assumed to occur because the effective date of the bill, July 1, 2015, which is six months into tax year 2015.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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